

**LEGISLATIVE SERVICES AGENCY
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FISCAL IMPACT STATEMENT

LS 6104

BILL NUMBER: HB 1080

NOTE PREPARED: Feb 6, 2009

BILL AMENDED: Feb 5, 2009

SUBJECT: Sales Tax Exemption for Home Energy Assistance.

FIRST AUTHOR: Rep. Day

FIRST SPONSOR:

BILL STATUS: 2nd Reading - 1st House

FUNDS AFFECTED: X GENERAL
X DEDICATED
X FEDERAL

IMPACT: State

Summary of Legislation: (Amended) This bill makes the Sales Tax exemption for low-income home energy assistance permanent. (Current law provides that the exemption expires July 1, 2009.)

The bill also broadens the Sales Tax exception for certain isolated or occasional sales of tangible personal property at auction by removing the requirement that the isolated or occasional sale at auction occur on the premises of the owner of the tangible personal property.

Effective Date: July 1, 2009.

Explanation of State Expenditures:

Explanation of State Revenues: (Revised) *Summary* - This bill is estimated to reduce state Sales Tax revenue by approximately \$6.7 M in FY 2010 and \$7.4 M in FY 2011.

This bill has two Sales Tax exemption provisions. The bill makes the Sales Tax exemption for certain sales of home energy permanent. Additionally, the bill strikes out a current provision that auction sales must occur on the premises of the owner of the tangible personal property to be exempt from sales tax. The extent to which the auction provision would reduce sales tax revenue is indeterminable. However, it is estimated that more sales could be exempt from Sales Tax as a result of striking out this provision.

The Sales Tax exemption which is made permanent applies to sales of home energy involving:

(1) energy which is in the form of electricity, oil, gas, coal, propane, or any other fuel for use as the principal source of heating or cooling in residential dwellings; and

(2) a person who is acquiring the energy through a program administered by the state to supply home energy through the Low-Income Home Energy Assistance Block Grant (LIHEAP) under 42 U.S.C 8261 et seq.

It should be noted that the extent to which Sales Tax revenue would be reduced will depend in large part on the federal appropriations for LIHEAP. In FY 2008, approximately 159,407 households received an average benefit of \$317. A history of the amount of benefits paid out over the last five years is included in the *Background* section below.

The impact on the funds receiving Sales Tax distributions is as follows.

Revenue Impact in millions		
Fund	FY 2010	FY 2011
General Fund	(\$6.646)	(\$7.338)
Public Mass Transportation Fund	(\$0.045)	(\$0.050)
Industrial Rail Services Fund	(\$0.002)	(\$0.002)
Commuter Rail Service Fund	(\$0.008)	(\$0.009)
TOTAL	(\$6.700)	(\$7.399)

Sales Tax revenue is deposited in the state General Fund (99.178%), the Public Mass Transportation Fund (0.670%), the Commuter Rail Service Fund (0.123%), and the Industrial Rail Service Fund (0.029%).

Background Information - Under current statute, the Sales Tax exemption is only applicable to transactions occurring after June 30, 2006, and before July 1, 2009. Funding for the state's energy assistance program comes from federal sources and dedicated state funds. Since the early 1980s, the federal government has annually appropriated funds to states to provide energy assistance to low-income families. Indiana's program is divided into two components: the Energy Assistance Program (EAP) and the Weatherization Assistance Program (WAP). The program is primarily funded through the federal LIHEAP block grant. The state's energy assistance program provides grants for winter heating assistance and summer cooling assistance.

Indiana's program currently provides assistance to persons below 150% of the federal poverty level. A summary of benefits distributed are as follows:

Fiscal Year	Benefits (in millions)
2009*	\$86.69
2008	\$56.22
2007	\$57.65
2006	\$64.39
2005	\$44.37
*Please note that the benefit amount for FY 2009 is an estimate.	

Explanation of Local Expenditures:

Explanation of Local Revenues:

State Agencies Affected: Department of State Revenue.

Local Agencies Affected:

Information Sources: Stephanie Reeve, Indiana Housing & Community Development Authority;
www.liheap.org.

Fiscal Analyst: Diana Agidi,317-232-9867.